

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00
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FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC 4414

C O N F I D E N T I A L BEIRUT 3063

DEPT ALSO PASS AID AND EXIMBANK

E.O. 11652: GDS
TAGS: ECON ECRE EFIN OTRA LE
SUBJ: EXIMBANK VISITORS MEET WITH GEORGE ASSEILY

REF: BEIRUT 3018

1. ON JUNE 24 VISITING EXIMBANK OFFICIALS THOMAS MORAN AND CHARLES HAMMOND CALLED ON GEORGE ASSEILY, PRESIDENT OF ASSOCIATION OF LEBANESE INDUSTRIALISTS. ASSEILY OFFERED FOLLOWING COMMENTS.
2. ONLY 20 PERCENT OF LEBANON'S PRODUCTIVE INDUSTRIAL CAPACITY WAS DESTROYED DURING FIGHTING, AND BULK OF INDUSTRIAL PLANT REMAINS INTACT. MOREOVER, LEBANON RETAINS CONSIDERABLE POTENTIAL FOR INDUSTRIAL GROWTH: SHE HAS GOOD, INTELLIGENT, LABOR; SHE CAN EXPORT TO ARAB MARKETS; UNDER NORMAL CONDITIONS, FINANCING IS NO PROBLEM.
3. PRESENT INDUSTRIAL PRODUCTION VARIES BY SECTOR. ONLY THOSE INDUSTRIES WHICH EXPORT ARE AT OR NEAR PRE-WAR LEVELS. FOR EXAMPLE, BUILDING MATERIALS INDUSTRY (CEMENT, ASBESTOS, CERAMICS, EXTRUDED ALUMINUM) IS AT 100 PERCENT OF PRE-

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WAR PRODUCTION. FOR SEVERAL REASONS, HOWEVER, TEXTILE INDUSTRY IS ONLY AT 40 PERCENT OF PRE-WAR LEVEL: A) PLANTS CAN NO LONGER OPERATE ROUND-THE-CLOCK BECAUSE WORKERS ARE AFRAID TO TRAVEL AT NIGHT; B) DOMESTIC PURCHASERS ARE UNWILLING TO STOCK; C) MERCHANTS DEAL ONLY ON CASH BASIS; AND D) BUYERS HAVE LEFT THE COUNTRY, THUS REDUCING DOMESTIC MARKET.

4. MONEY CAN BE RAISED IN LEBANON. THERE IS LOTS OF LIQUIDITY IN THE BANKS, WHICH ARE LOOKING FOR GOOD INVESTMENTS. IF LEBANESE SHOW THEY WILL RAISE MONEY THEMSELVES, THEN "OTHER PEOPLE" (I.E., SAUDI ARABIA AND KUWAIT) WILL HELP.

5. GOVERNMENT HAS NOT DEALT EFFECTIVELY WITH ECONOMY. PRESIDENT SARKIS AND TO LESSER EXTENT PRIME MINISTER AL-HOSS ARE "VERY CONSERVATIVE BANKERS." CABINET SHOULD HAVE 25 MEMBERS INSTEAD OF EIGHT. GOVERNMENT BELIEVES IT SHOULD SPEND ITS AVAILABLE MONEY FIRST ON ALLEVIATING SOCIAL PROBLEMS AND SECOND ON RESTORING PRODUCTIVE CAPACITY. THESE PRIORITIES SHOULD BE REVERSED.

6. ASSEILY ALSO SAID MOST USEFUL FORM OF FOREIGN AID FOR LEBANON AT PRESENT WOULD BE SOFT LOANS TO HELP REBUILD DESTROYED FACTORIES. HE BELIEVED SIX- TO NINE-MONTH EXPORT CREDIT GUARANTEES WOULD ALSO BE OF VALUE.

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